

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 1591**

January 23, 2014

**SUMMARY OF BILL:** Prohibits advertising for lottery tickets in all media, including, but not limited to, radio, television, and billboards. Limits advertising for lottery tickets to retailers' point-of-purchase.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – \$26,460,000/Lottery for Education Account**

Assumptions:

- According to the Tennessee Lottery Corporation (TELC), advertising expenditures not related to retailers' point-of-purchase are projected to be approximately \$10,800,000 in FY13-14.
- According to TELC, information reviewed from studies support a direct correlation between advertising expenses and ticket sales.
- The TELC indicates that \$1.00 of advertising expense has an average positive impact on gross sales of \$11.00, and on net ticket sales of \$10.20.
- According to one study (Frost & Sullivan, 2009), a dollar in additional advertising for lotteries was accompanied by \$15 in additional sales.
- For TELC, it is estimated that one additional dollar of advertising expense generates approximately \$10.00 in net ticket sales, and therefore, a \$1.00 reduction of advertising expense will lead to a \$10 decrease in net ticket sales.
- The recurring decrease in net ticket sales for the TELC, as a result of reducing advertising expense by \$10,800,000, is estimated to be \$108,000,000 (\$10,800,000 x \$10).
- According to TELC, approximately 24.5 percent of net ticket sales are returned to the state in net lottery proceeds. As a result, the decrease in net lottery proceeds is estimated to be \$26,460,000 (\$108,000,000 x 24.5%).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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